



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 27 March 2013

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ECONOMY, ENERGY AND TOURISM COMMITTEE

11th Meeting 2013, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Marco Biagi (Edinburgh Central) (SNP)

*Chic Brodie (South Scotland) (SNP)

*Rhoda Grant (Highlands and Islands) (Lab)

*Alison Johnstone (Lothian) (Green)

*Mike MacKenzie (Highlands and Islands) (SNP)

*Margaret McDougall (West Scotland) (Lab)

*David Torrance (Kirkcaldy) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Gareth Baird (Crown Estate)

Jenny Marra (North East Scotland) (Lab) (Committee Substitute)

Ronnie Quinn (Crown Estate)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

Committee Room 4

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 27 March 2013

[The Convener *opened the meeting at 10:00*]

Crown Estate

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the 11th meeting in 2013 of the Economy, Energy and Tourism committee. I remind everybody to turn off their mobile phones and other electrical devices. We have apologies from Margaret McDougall, for whom Jenny Marra is substituting. Welcome, Jenny. Do you have any relevant interests to declare?

Jenny Marra (North East Scotland) (Lab): I have no interests to declare, convener.

The Convener: For item 1 on the agenda we have with us the Crown Estate in Scotland. I am pleased to welcome Gareth Baird, who is the Scottish commissioner, and Ronnie Quinn, who is senior development manager for energy and infrastructure. I thank you for joining us. Before we get into questions, do you want to say something by way of a short introduction?

Gareth Baird (Crown Estate): Thank you, convener. First, we are absolutely delighted to be here. We thank you for inviting us.

I thought that it would be useful to give the committee a broad overview of recent and upcoming activity. We have a number of priority areas for development that are broadly aligned with key areas of growth in the Government's economic strategy. Clearly, a key area is offshore wind, in which we continue to invest resources to accelerate and de-risk development. The first round 3 application to be submitted in the United Kingdom is for Scottish waters, in the Moray Firth. I believe that the second application for round 3 development is for the Firth of Forth.

We are continuing to work with Marine Scotland and developers on the world's first commercial-scale wave and tidal programme, which is in the Pentland Firth and Orkney waters. The first agreement for lease in carbon capture and storage in the UK was awarded to the project in Peterhead in 2012. We recently introduced new local management agreements in response to feedback from stakeholders to help not-for-profit organisations to develop projects that unlock the potential benefit from the foreshore and sea bed.

Aquaculture remains a strong focus. We are supporting research and promoting sustainable development of the industry to help to grow exports further and to meet Government targets.

On the rural estate, we continue to work in partnership with tenants, local authorities and development agencies to support regeneration and to develop economic opportunities.

Finally, sustainable tourism will remain a priority in supporting marine tourism on the west coast and on our rural estates—for example, the mountain bike trails and facilities at Glenlivet.

The Convener: Thank you. I know that members want to cover a range of areas, some of which you have touched on. We are particularly interested in wind and other renewables offshore. We are also interested in the skills agenda, development of carbon capture and storage, and how the Crown Estate engages with communities. As ever, I ask members to keep their questions focused and short. If we could have short and focused responses, that would be helpful in getting through the issues in the time available.

I will start by asking about management and governance of the Crown Estate, which I know has been developing in recent times. What are the remit and functions of the new Scottish management board? What is the Scottish commissioner's role?

Gareth Baird: The Scottish management board has been up and running for a year. It is a development to ensure that our activity in Scotland is focused and has a Scottish slant. I should say here that we are a United Kingdom business that operates throughout the UK. We are confident that the scale of the operation and resource that we can bring to Scotland for the benefit of Scotland is clear for everybody to see. We now have a clear Scottish leadership team, which meets quarterly with all the executive directors of the Crown Estate.

There is an awful lot of activity in Scottish waters at the moment, and aquaculture and tourism are taking up a huge amount of effort as well. The new board is an attempt to formalise management of what is going on in Scotland and to devolve a significant amount of authority and responsibility to our Scottish team.

You asked about my position as the Scottish commissioner: I am one of eight commissioners and I report to the board on Scottish matters as well as upholding general governance responsibilities for the whole organisation.

Alison Johnstone (Lothian) (Green): I would like a bit more information on how the Crown Estate has improved accountability to the Scottish Parliament. When we were considering the

Scotland Bill, there was a lot of discussion about whether the Crown Estate should be devolved and I know that there have been some changes and improvements in accountability. How do you see things progressing?

Gareth Baird: Our engagement with the Scottish Parliament and the Scottish Government has increased markedly over the past couple of years, and we are happy to attend any of the committees that want to see us. Over the past 18 months, the senior management team—Ronnie Quinn, Alan Laidlaw, who looks after the rural and coastal estate, and I—have seen just about the whole Scottish Government Cabinet, from the First Minister down through a series of positions. We are keen to increase our engagement with the Scottish Government and all parties within Parliament. We have met several politicians over the past year and we want to meet a lot more.

Ronnie Quinn (Crown Estate): In addition, an interministerial group has been set up on which a Scottish minister sits, along with a member of the Convention of Scottish Local Authorities, a representative from the Treasury and our chairman and chief executive.

Alison Johnstone: So, there have been real improvements and a building of relationships, which is helping with the discussion of ideas and arrangements.

Gareth Baird: Absolutely. There are very constructive and practical discussions.

Chic Brodie (South Scotland) (SNP): Good morning.

What level of authority do you have? Your accounts for the past few years show that you have been selling properties in Princes Street and moving that investment into offshore and coastal activities. I am not saying that that is wrong, but who makes such decisions? Is it you or the UK board?

Gareth Baird: The UK board makes such decisions, but with clear direction or advice from the team at Bell's Brae in Scotland.

Chic Brodie: How many of your recommendations have been overturned by the UK management board? Can you give me an instance of a major investment decision that has been promoted by the Scottish management board being overturned by the UK management board?

Gareth Baird: I cannot think of any.

Chic Brodie: You said that the Scottish management board meets quarterly and is chaired by you. What do you discuss at those quarterly meetings? Given that it is a management board, I am surprised that it meets only quarterly.

Gareth Baird: The dialogue and discussion that goes on at Bell's Brae—and, indeed, between the Edinburgh and London teams—is constant and on-going. The Scottish management board is a formal forum in which there is a formal agenda and everything is minuted. That clearly also happens with regard to our executive team. At board level, I speak to the chief executive and the chairman regularly.

Chic Brodie: Following on from my question about the relationship with the UK management board, how do you produce evidence that the interests of Scotland are better represented in the main board now than they were before?

Gareth Baird: I would not like to say that Scotland is better represented now. I am going into my fourth year as commissioner, and Scotland's representation has always been strong. My predecessor as Scottish commissioner was Sir Ian Grant, who was the chairman of the Crown Estate—indeed, there is a history of Scottish chairs of the Crown Estate and there has always been strength there in terms of Scottish representation.

Clearly, the area of our engagement that has absolutely rocketed up the scale is marine renewables. Because of the level of investment in that, there is much more focus on it, which means that we should expect there to be a greater focus on Scottish waters, which are pretty unique, I suppose.

The Convener: As you have mentioned marine renewables, this might be an appropriate time to discuss that issue. A number of members have questions on it.

Alison Johnstone: We can see from the press this week that marine renewables is a topical subject.

What lessons is the Crown Estate learning from the process around, for example, giving consent to the Aberdeen bay development and so on? Clearly, there will be more applications like that one.

Ronnie Quinn: It will be useful if I set the scene on the Crown Estate's role in that regard. In effect, we are the trustee or landlord of the sea bed. We do not consent the sites; in conjunction with Marine Scotland, we identify sites and set a contractual arrangement around them with a developer, and the developer is required to do the work that is required to get a consent. To facilitate that, we grant an agreement for lease, which does what it says on the tin: it is an agreement that says that, if a developer secures a consent and subsequently decides to go ahead with the project, it will obtain a lease from us. That is important because of the time, effort and not insubstantial cost of getting a consent. Our granting the

agreement for lease gives the developer an assurance that we will, if the process leads to a consent, give it the lease.

Much of our effort and enabling actions concern facilitating the process and identifying the statutory consultees' areas of concern. For example, on the offshore wind programme, there is a list of about 250 projects that we have funded to facilitate offshore wind—I printed it off this morning. The myriad projects range from aerial surveys of the coast, to production of health and safety guidelines. Similarly, with the marine renewables—the wave and tidal stuff—our website contains a three-page or four-page list of projects that we are considering for the next year.

Our work is to enable the developers to better understand their sites in order to put forward a better application that sits better with Marine Scotland and the consenting bodies. It is not in our interests to have bad projects out there.

10:15

Alison Johnstone: Could you have several developers competing for a site?

Ronnie Quinn: That was the case when we went through round 3. Through the strategic environmental assessment, we had identified around the coast of the UK nine zones for which we asked developers to bid. It is important to point out that the bids were not financial; the developers were not bidding money for the zones. A team of in excess of 200 professionals went through the bids for each zone, which we scored on quality. We awarded agreements for lease on that basis. Marks were given for health and safety; for whether, in our view, the developers had sufficient appetite; for whether they had sufficient financial standing; and for their programme and budget. All those things were taken into account in the assessment in round 3.

Our role now is to push the developers forward to meet the contractual terms and to get their consents. It is stunning that, over the past year, applications have gone to Marine Scotland for almost 4GW of commercial wind farms around the coast of Scotland. That is a big increase from a year ago when, in effect, there were zero. We spend a lot of time managing those and trying to facilitate things for the developers, the consenting bodies and Marine Scotland.

Alison Johnstone: We recently heard from a group of Danes from the island of Samsø. Just off their island, they have 11 community-owned wind turbines, so any income that is generated is fed back into the community for lots of sensible-sounding projects. Have you ever been approached by such a group? Do you have the facilities and team to support such a request?

Ronnie Quinn: I have had one phone call about such a development, but the person did not fully appreciate the scale of the endeavour and the amount of money that would be required. When I mentioned that they would need to get consent, that came as news to them. It is a fairly expensive process to get consent. We are certainly open to that approach; the problem is that the required investment is substantial, as can be seen even from the Aberdeen bay site, with which members will not be unfamiliar. It has a maximum of 11 turbines and is backed by a substantial Swedish utility, but it has not been plain sailing.

Alison Johnstone: I am heartened to hear that an individual can get hold of you on the phone, although I think that the Samsø case involved the local authority making approaches.

Mike MacKenzie (Highlands and Islands)

(SNP): I have read the Crown Estate's interesting recent report on the overall possibility for offshore wind and marine renewables around Scotland's coasts. Given that you are responsible for management of the sea bed and for collecting revenues, I could almost sense a kind of licking of the lips as you produced that report. You have obviously made a calculation of the value to the Crown of the leases that you would reasonably expect to be forthcoming. What might that value be?

Ronnie Quinn: I will try not to lick my lips. Again, that is a really good question and one on which I would love to be able to give you a concrete answer. The plain fact of the matter is that we are in receipt of rental from one round 1 site—Robin Rigg—at present. We receive no other income at this point in time from renewables—nothing.

Mike MacKenzie: Yes, but you must have some estimate of the likely value to yourselves.

Ronnie Quinn: Going forward, values range from zero to quite a lot more than that. However, that is entirely dependent on the consents. Thereafter, we must start bringing in lots of other things, including electricity market reform. To go back a step, we have committed developers to getting consents but, to be blunt, nobody makes a penny out of consents. What they have to do is to build and start generating. Once they start generating, we will receive some income.

Mike MacKenzie: This committee is an energy committee and we are very well aware of the factors that you have just described. Could you please just answer the question? You must have done a calculation. I can accept that there may be a lower-limit calculation and an upper-limit calculation. Can you give us an indication of what those calculations are?

Ronnie Quinn: It very much depends on what happens over the next couple of years and on the strike price, to be honest.

Mike MacKenzie: Indeed. We know all about that. Could you just please answer the question and give me an indication of the upper level of your revenue calculation and the lower level?

Ronnie Quinn: I would get back to you on that if you would give me an indication of the timescale.

Mike MacKenzie: You can choose any timescale that you like, really. It can be this year or next year. Give us your calculation for the next 50 years—that would be interesting.

Ronnie Quinn: I would be surprised if there was anything over the next two years.

Mike MacKenzie: That is why I am suggesting looking at the next 50 years.

Ronnie Quinn: Over the next 50 years? That is a long way ahead and I really could not say, to be honest.

The Convener: Would a reasonable period be 10 years?

Ronnie Quinn: What is probably more foreseeable is the period to 2020 because that is what the existing EMR structure is designed to support. We could get a figure to you, but it would be a banding.

Mike MacKenzie: With respect to the convener, what may be more useful is your very interesting report, to which I alluded. It is inconceivable to me that, when you carried out the research that led to that report, you would not have at the same time, for the period that the report covers, estimated what you would reasonably expect to earn from leases that are associated with the kind of projects that you describe in the report.

Ronnie Quinn: The revenue would be somewhere in the region of 1 to 2 per cent of the value of the electricity produced.

Mike MacKenzie: The report does not touch on the value, so maybe you could help us in that regard. Perhaps you would like to do that in writing to the committee. That may be more useful.

Ronnie Quinn: I am using value as a shorthand term, because the formula varies and is not straightforward. However, in broad terms, it is 1 to 2 per cent of the value of the electricity that would be derived.

Chic Brodie: That is an interesting point. According to our briefing paper, the Crown Estate has just committed £11 million of investment to explore key strategic elements. What is the rate of return on that?

Ronnie Quinn: I am sorry—I missed the first part of the question.

Chic Brodie: Our briefing paper states:

“The Crown Estate has committed £11 million of investment to explore key strategic risks to Round 3 offshore wind delivery.”

What is the projected ROR on that investment?

Ronnie Quinn: I could not tell you, to be honest. However, it is dealt with as a whole. The whole programme for round 3 is over £100 million, which is invested around the coast. I have somewhere in front of me the list of the types of programme that that is funding, which is extensive.

Chic Brodie: If you can get it to us later, that will be fine.

Ronnie Quinn: There is no single rate of return on any of the projects, which include winter aerial surveys, zone appraisal and planning guidance, a guide to an offshore wind farm, MetOcean climate intelligence, health and safety issues, Maritime and Coastguard Agency case worker funding, marine data management, supply chain issues, workshop issues, health and safety awards and training networks. Each of those projects has a different business case.

Chic Brodie: No doubt, at some stage in the future, we will get to a mechanism that helps us to understand all of that.

I will ask what I suspect is a contentious question. The Sovereign Grant Act 2011, which was passed by the Westminster Parliament, guarantees that the royal family gets 15 per cent of the profits of Crown estates. Has that changed the financial approach to the business?

Gareth Baird: No—not at all. How the Treasury deals with the surplus from the Crown estate is entirely up to Government. We are not involved in that at all.

Chic Brodie: There is no mechanism in terms of the anticipated financial outcomes.

Gareth Baird: No. This is a real layman's view, but I will give it in answer to both of the recent questions. The Crown Estate team is concerned with the assets of the United Kingdom and Scotland. We work with the grain of all the Governments in the UK, and how the surplus is split up is entirely for Governments to decide. Our job is to make the UK's assets work as hard as possible for the benefit of the UK and the countries within it.

I have not seen an ROR on the marine estate. There are too many imponderables out there. Ronnie Quinn was just talking about the amount of capital that will have to be raised to get all the kit in the water. I have seen the cost of that, and it is

phenomenal; it is quite scary, actually. Another part of the remit of the Crown Estate team is to get the developers together with financiers and to try to smooth the process out, de-risk it, take out the uncertainty and so on.

With regard to the return—how communities are affected—the Government has set up the coastal communities fund. The harder we can get the marine assets working, the bigger that fund will be. It is worth pointing out that 50 per cent of the gross—not the surplus—revenue will go to the coastal communities fund. Once all the kit is in the water, a huge amount of cash will be involved.

The Convener: We will deal with communities later.

Chic Brodie: Under what statute do the Crown estates belong to the Crown? Where are the assets registered?

Ronnie Quinn: The Crown Estate operates under the Crown Estate Act 1961. The operating mandate for the area beyond 12 nautical miles was given under the Energy Act 2004. The title is not necessarily registered, as a lot of land in Scotland is not registered until there is a dealing in it.

Chic Brodie: Do you think that it should be registered?

Ronnie Quinn: There are some discussions with the keeper of the registers of Scotland about how to go about that and whether value would be derived from doing so, given the discussions that would need to be undertaken about registration dues.

The Convener: I presume that you are not permitted to dispose of the property. You cannot sell it, can you? You can lease the sea bed, but you cannot sell it.

Chic Brodie: I just wondered whether someone could plonk something on it without it being registered.

Ronnie Quinn: We have rights under the Energy Act 2004 to administer leases beyond 12 nautical miles; no one else does, in respect of renewable energy.

The Convener: You cannot sell the sea bed.

Gareth Baird: That would be absolutely unthinkable.

The Convener: I am thinking legally. Are you legally able to sell it?

Gareth Baird: We would have to look into that. We can write to you on that point.

The Convener: I was just curious.

Ronnie Quinn: We do not have title to the sea bed.

The Convener: Okay.

10:30

Mike MacKenzie: I appreciate that attempting to value the potential revenue is a complex business, but you will forgive me if I suggest that, so far, it seems to me to be a bit like asking the Met Office for the weather forecast and seeing it stick a finger in the air and perhaps wet it.

To approach the issue from a slightly different angle, let us say that I phone you this afternoon and say that I am a developer of a 5MW offshore wind farm. If I ask how much it will cost me to lease the site from you, would you be able to give me an indication of that?

Ronnie Quinn: It would be 1 to 2 per cent of the costs of the generation.

Mike MacKenzie: Is that 1 to 2 per cent of the cost of generation?

Ronnie Quinn: Sorry, I mean 1 to 2 per cent of the value of the generation.

Mike MacKenzie: Is that the net or gross value?

Ronnie Quinn: I do not have the exact formula to hand. It will depend on the strike price and the formula that is adopted for the entire UK once we have the strike price and some certainty on electricity market reform. At present, the figure would be 1 to 2 per cent of the market price that is obtained under a couple of market indices. We are not sure that those indices will still operate after EMR, so we will need to look at that, but it will be equivalent.

Mike MacKenzie: That is helpful. To return to the Crown Estate report to which I referred earlier, I am sure that you are familiar with the fact that it gives pretty good estimates of the overall potential for offshore renewables. Between those parameters of 1 per cent and 2 per cent, it would be possible for you to make a pretty good estimate of the total value of revenues that the Crown Estate will receive if the industry comes to fruition, as I think we all believe it will. Am I correct in saying that that is a fairly simple calculation?

Ronnie Quinn: No, it is not, because that is dependent on the wind resource, the connection and availability. We can all make projections. I suppose that, if you are looking for a concrete figure, the section on renewables in last year's annual report states that the income that was generated from renewables in Scotland was £700,000 from one operating wind farm.

Mike MacKenzie: Obviously, it is early days for offshore and marine renewables. The committee

fairly recently undertook an extensive inquiry into renewables, so we are aware that a lot of the marine and offshore development will not happen between now and 2020 and that the majority of it will happen after that.

Ronnie Quinn: As far as I am aware, no tenant will ever be joyous about paying rent. However, I am not aware that the Crown Estate's rental provisions are the straw that breaks the camel's back and that that means that developments do not go ahead.

Mike MacKenzie: I am not suggesting that. I am just interested to arrive at even an approximate figure for the value of those revenues.

The Convener: I think that we have got the point, but perhaps you could come back to us as best you can on that.

Gareth Baird: We can give a range.

The Convener: We understand that there are a range of variables in the equation, but an indication would be helpful.

If members have no more questions on offshore wind or marine renewables, we will move on to skills.

Dennis Robertson (Aberdeenshire West) (SNP): The success of the renewables industry will be based on having an appropriately skilled workforce. What is your role in trying to ensure that we have a skilled workforce and in taking forward the skills agenda?

Ronnie Quinn: I can talk about what we have been doing. One important thing that we have done since 2010 is to run supply chain events throughout the country. Those have been useful in bringing the renewables industry and local industry together to understand what people need. The work that we have been doing also identifies gaps in the supply chain. The annual wind report usually sets out where further work needs to be undertaken and where other parties may wish to invest to fill the supply chain gap.

The paper that we published on lowering the costs of offshore wind energy was an important part of the Government's drive to lower the levelised cost of offshore wind. In that, we identified a number of different tasks to be undertaken to bring down those costs. As part of that, we are now looking forward to a test and demonstration offering. We are working with Scottish Government officials, Scottish Enterprise and Highlands and Islands Enterprise on how best to do that.

At the same time, we are working to try to raise awareness of the education level because, if we are considering likely terms of deployment and—more important, in my view—the continuing

operations and maintenance of the sites, we need to attract young people to the industry. We are going ahead with a pilot education programme that fits in with the Government's curriculum for excellence for, I think, secondary 3. We are piloting it in the north of Scotland and we are trying to get a school in the central belt to work with us on it as well. The aim is to raise awareness among young people of the opportunities that exist.

We are also working with some commercial bodies to provide an online jobs forum or bulletin board. We also sit on RenewableUK, which has a skills agenda, and we have some graduate bursaries that we grant for MScs in renewable energy.

Dennis Robertson: Are you concerned that a skilled workforce is not available at present? Does the information that you get from the partners with whom you work demonstrate a real concern or do you think that the workforce exists and many of the skills could be transferred from, perhaps, the oil and gas sector?

Ronnie Quinn: It is correct to say that there are transferable skills in the oil and gas sector, but we must be realistic about the fact that that sector is carrying on. It is not in any great decline. It is in a recruitment drive. I spoke about that at the Scottish Renewables conference last week. To be blunt, the oil and gas sector pays more and it will still require people so, although the skills are transferable, it would be wrong for us to rely wholly on that sector to produce bodies for the renewables sector.

Dennis Robertson: The point is that the oil and gas sector has itself identified a skills shortage. If we are trying to get people with the appropriate skills into renewables but, as you said, the oil and gas sector pays more, there could be a skills shortage in the energy sector.

Do you envisage increasing the number of postgraduate bursaries? How many do you have so far?

Ronnie Quinn: There are about 11. To be honest, my preference is to investigate what we can do at the technician end, where there will be more jobs. Like everything else, it is a pyramid: only so many MScs are required; an awful lot more technicians are required. We will consider further effort at that end.

Dennis Robertson: So, is there a greater role to be played within the college sector?

Ronnie Quinn: Yes. In January or at the beginning of February, I spoke to the electrical engineers at Motherwell College and I asked them to open up their minds to the sector and to take it into account in making their career choices. I have also had discussions with some of the colleges in

Edinburgh. We have made an offer to the councils in both Glasgow and Edinburgh to underwrite a couple of days of speaking opportunities in schools, possibly after exams are finished in the late spring or early summer, to highlight the opportunities to young people.

Dennis Robertson: Are you taking a proactive approach to establishing a gender balance and getting more girls into the engineering sector?

Ronnie Quinn: Yes, absolutely. I am quite privileged because I am able to go into the developers' offices, and it is noticeable that many of the electrical engineers who work for European developers or those who receive European funding are ladies. In all the development teams, the mix is easily 50:50—I am comfortable about saying that.

We are getting the message across to young ladies, in particular, in schools and colleges that it is a new industry. In our brochure "Your career in offshore wind energy" we try to highlight the fact that it is an industry not only for both young men and young women but for older men and women, too, because one of the other areas that we are trying to touch base with just now is people leaving the armed forces who have transferable skills that we can utilise.

Gareth Baird: I will give Mr Robertson a practical example from my part of the world, the Scottish Borders. Some of you may be aware that our port Eyemouth has suffered badly because of the fishing industry quotas and what have you. We were approached by the Eyemouth Harbour Trust to see whether we could help to develop a strategy for the operations and maintenance role that will be carried out in the south-eastern Scottish waters. Two members of our team have, therefore, been helping the Eyemouth Harbour Trust with its thinking so that all the skills from the fishing fleet—the seamanship and, in particular, the engineering skills—can be transferred across. That is a fair bit down the line but we hope that, God willing, something will come of it.

We have been helping that little port in the Scottish Borders, which has been hit very hard by the quotas and other measures in the fishing industry. Those who work in that industry are trying to swap their skills across, and we are helping them as much as we can with that. We are also helping other ports up and down the east coast. We try to direct them in a general fashion, but it is for them to drive things forward. That is an example of how we are trying to help on the supply chain side of things.

The Convener: Jenny Marra has a supplementary question on skills.

Jenny Marra: Gentlemen, in your answer to Dennis Robertson you reflected something that I

have knowledge of, which is that a lot of people with engineering skills are currently being recruited by the oil and gas industry. I see that in Dundee, where the industry is often down recruiting from the engineering firms that we have in the city. In relation to the skills base for the renewables industry, are you saying that we will be training up from a no-skills base and that we will need to train people robustly for the renewables industry? If so, is there any evidence so far that the college courses that have been set up around Scotland are doing that sufficiently robustly to ensure that people will be trained for the industry when they are ready for the workplace?

10:45

Ronnie Quinn: To be honest, I do not think that we are coming at it from a zero-skills base. We have a significant number of onshore wind farms in Scotland, and the technicians who are already working on those turbines have transferable skills, although for obvious reasons some add-on skills will need to be taken into account.

This time last year, Scottish Renewables published a paper that noted that there were already 11,000 jobs in the renewables sector. The skills base needs to grow exponentially; it is not something that we can grow organically. The benefits that we can accrue for Scotland will depend largely on growing that base as early as possible.

We are fortunate that colleges and universities throughout the country have woken up to the issue and identified the opportunities. I sympathise with them, however, because it is difficult for them to say, "Look—this company is recruiting now" at this point in time. That is a challenge, and it will have to be addressed quickly.

Jenny Marra: So there is a bit of a glut of people who are deciding to do their higher national certificate or higher national diploma without having a job opportunity at the end of it.

Is there any evidence that the training courses are fulfilling the industry's needs? For example, engineering firms sometimes say to me that the technology in the colleges is perhaps not as advanced as that which the firms themselves would be able to use in training people from scratch in-house. Is that an issue in the renewables industry? Could there be more synergies between the colleges and industry to ensure that people are work ready and profitable for the companies when they start work?

Ronnie Quinn: On your last point about synergies, that is a two-way street. The industry must talk more with the colleges. That is happening in some instances—for example, the University of Strathclyde has a close relationship

with some of the utility companies. However, our focus just now is on the transferable skills that will enable people to undertake careers in a number of different areas, including renewables. That is a more sustainable approach at this point, although the situation might be different a few years down the line.

Chic Brodie: I have a brief question based on a story that I was told. I represent South Scotland. After two years of research, two oil wells were discovered off the coast of Ayrshire between Ailsa Craig and Sanda island at the tip of the Mull of Kintyre. Those oil wells, which could have been successful and helped the economic development of South Scotland, were capped on the instructions—we believe—of the then Government, and they are not 12 miles out. What communication do you have with the Ministry of Defence with regard to its activities in the Firth of Clyde?

Ronnie Quinn: That would take place on a project-by-project basis. With regard to oil wells being capped, that is outwith our remit and would have to be dealt with via the Department of Energy and Climate Change—

Chic Brodie: Because it would be untitled land?

Ronnie Quinn: It is beyond our remit, which extends only to renewable energy beyond 12 nautical miles. Oil and gas fall within DECC's remit—we have no title to such things even within 12 nautical miles, so DECC deals with it all.

Chic Brodie: So all of that falls to DECC.

Ronnie Quinn: Yes.

The Convener: We move on to carbon capture and storage, and I bring in Marco Biagi.

Marco Biagi (Edinburgh Central) (SNP): Many of the issues that I want to raise have been covered in our discussion on offshore renewables. Gareth Baird mentioned the lease for the CCS plant at Peterhead. Does the Crown Estate see itself as being a landlord or partner, or as taking on some other role, as that situation develops?

Ronnie Quinn: We are certainly planning to be facilitators and are trying to work with the developers and the Government—to be honest, with all parties—on the best way of making these projects work. We are not playing a passive role.

Marco Biagi: Do you have any input to the engineering challenges involved in any CCS scenario or are they primarily the companies' responsibility?

Ronnie Quinn: The companies would be responsible for the engineering. However, we brought some CCS experts along to the meeting either early this year or at the end of last year of the Scottish liaison group, which is one of the

groups that we have for liaising with stakeholders, to advise members on what this still not commonly understood technology is and how it works. That fits in well with how we see our facilitative role developing; we will not only bring stakeholders up to speed on how the technology works but, going forward, facilitate both the transmission—if I can use that phrase—and the final storage facility. As for timescales, however, that is a different question.

Gareth Baird: It would be fair to use as an analogy for our role in CCS the role that we play in marine renewable energy. We are ensuring that health and safety and environmental issues are taken on board, examining whether these projects are deliverable and so on and ensuring that the whole structure around carbon capture and storage is as full as it can possibly be.

Marco Biagi: What if CCS is deployed and begins to function, liquefied CO₂ starts to be pumped under the sea and then there is some kind of environmental disaster? Actually, I am going too far by using the word "disaster"; it is only CO₂, after all. If there was leakage, spillage or some other technical breakdown, would you, the state or some other body bear the risk?

Ronnie Quinn: That is being discussed at present.

Marco Biagi: I realise that, by asking this question, I might be going over territory that has already been gone over, but what would be your expected revenue from a CCS lease, should it function?

Ronnie Quinn: I genuinely have no idea.

Marco Biagi: When we were discussing renewables leases, you said that you had no idea about the scale but suggested that you had a method by which you were able to say that your revenue would be 1 to 2 per cent of the value of generation. Can you suggest a comparable method for finding out the revenue from a CCS lease?

Ronnie Quinn: I am afraid that I cannot at this stage. It is still early days. We simply do not know the economics of all of this yet.

Marco Biagi: So you have granted a lease without making any revenue considerations.

Ronnie Quinn: We have granted an agreement for a lease. It is dependent on the projects going ahead.

Marco Biagi: What do you expect your direct outlay to be, should the projects go ahead? Surely most of the costs for this will accrue to the power plant and its operator.

Ronnie Quinn: As the financial model still has to be fully assessed, we do not know what the outlay will be at this point in time. I simply cannot say what the financial model for CCS will be—it is still some time off.

Gareth Baird: On the question that you—rightly—brought up of where liability lies in the event of a leak, I have to say that that is all under consideration. As far as our investment is concerned, we have been charged by the UK Government to look at this issue. That work has been going on for quite a while and a lot of human resources have been channelled down that line. Only yesterday, I learned that in his budget speech the chancellor had mentioned Drax and the use of oilfields off the east coast of England, which, of course, might be good for the coal industry. I am quite sure that this is going to come further up the agenda.

Marco Biagi: If a decision is made to go ahead with the plant, based on demonstration funding and the like, how long do you anticipate that it will take to establish the financial model?

Gareth Baird: The thinking—or, at least, the thinking on all the risks and issues surrounding it—is fairly well advanced.

The Convener: I would like to go back to an answer that Mr Quinn gave to Mr Biagi about the revenue from a lease. Back in the mists of time when I had a proper job, I used to earn my living drawing up agreements for lease. How can you draw up an agreement for lease that does not include any consideration for rent or at least a mechanism for arriving at one?

Ronnie Quinn: All that I am saying is that I genuinely do not know what the rental position will be for CCS. It will depend on the model, the area and the liabilities, which Gareth Baird mentioned. Those things are all still up for grabs.

The Convener: But there must be some mechanism for determining that figure in your agreement for lease.

Ronnie Quinn: I could not say at this point. I genuinely do not know.

The Convener: Okay. Could you make that available to us?

Ronnie Quinn: Yes, if there is such a thing, but it would be subject to confidentiality. The figure might be within a range.

The Convener: I cannot imagine how it would be possible to have an agreement for lease that did not include a consideration for rent. That does not make legal sense to me.

Ronnie Quinn: We should bear it in mind that we are talking about something that is not yet a

lease, but which simply reserves the area, should the project be proceeded with.

The Convener: If you could come back to us with more detail on that, that would be helpful.

As members have no more questions on CCS, we move on to another issue that you mentioned earlier—engagement with communities.

Rhoda Grant (Highlands and Islands) (Lab): The Scottish Affairs Committee received representations from community landowners, and it made some recommendations about empowering them in relation to some of the areas that the Crown Estate has in its ownership. Since those recommendations, what interaction have you had with community landowners?

Gareth Baird: Over the past few years, the Scottish Affairs Committee has sent out a clear signal on our need to increase our engagement with local communities. As part of that, there has been an initiative to develop local management agreements. I would like to think that my experience of travelling around Scotland shows that engagement with local stakeholders, communities and businesses has been strong. Clearly, the SAC received different messages, and we have taken that on the chin.

We have several managing agents around Scotland. The way in which they engage with communities and stakeholders has been altered—in fact, it would be more accurate to say that it has been emphasised. In an effort to get communities to come to us with initiatives, we have recently carried out two pilots of what we call local management agreements. They are with the Portree Moorings Association in Skye and Comann na Mara at Lochmaddy in North Uist. I have been to see both pilots.

An opportunity has been created for the community to bring forward proposals that we can help to progress and which have a strong existing level of buy-in and support from all the stakeholders in the community. In general, the initiatives in question would be non-profit initiatives, but if the two pilots that are up and running deliver—both agreements have been signed—they will provide a substantial economic boost to those communities.

Rhoda Grant: Community-owned estates are not non-profit-making; they exist to make profit and to build local economies—that is one of the aims of the exercise. What is your interaction with them?

11:00

Gareth Baird: When I said “non-profit”, I meant from the perspective of the Crown Estate, not of communities. We are very anxious to hear from

communities on a series of issues right across the board: from bird sanctuaries to yachting or leisure activities, for example.

When the two pilots that are up and running in Portree and Lochmaddy are delivered, they will bring substantial economic boosts to the communities. I have been to see both of them, and, if I may, I will share with you my experience at Portree.

There were nine local stakeholder organisations and interests in Portree. We spoke to them and set out a route through which we thought that they could bring their initiative to fruition. We had a very positive discussion with them. Within a week, financial consultants had gone in at the Crown Estate's expense to set up a structure for Portree Moorings Association and allied organisations. Those organisations have gone forward and sought investment from the coastal communities fund and European funding.

Should all that work come together, the fantastic target for the Portree community will be the creation of a breakwater. The stakeholders told me that their ability to attract leisure industry yachts and, in particular, large liners—which provide the real economic boost—is very limited because of the prevailing wind. The breakwater has been estimated to cost £4 million, but it will increase the number of leisure ships that come in by a multiple of 10.

Rhoda Grant: That is helpful, but it is not quite what I am driving at. I am driving at situations in which the local community owns the land on which they live and where it would be very helpful for them to also own the sea bed, foreshore and the like, so that they can have powers over developments such as renewables, which are coming on-stream, and facilities such as fish farms, which are very much up and running.

In such a situation, the local community would have the power to decide whether developments should happen in their community and, if so, where. They could manage that process rather than have to go to the Crown Office and hope that you will take on their views. It is about giving the communities powers to make those decisions. Do you have any thoughts about that?

Gareth Baird: The divestment of ownership of the sea bed and foreshore is not within our powers under the 1961 act, under which we work, but there is nothing to prevent those communities from coming to us to use our huge resource to help them. We would welcome that.

Rhoda Grant: I will turn round the question slightly. What cognisance do you take of community views in circumstances in which, say, a third party has applied for permission to use the sea bed or foreshore?

Gareth Baird: We take very strong cognisance of those views. The other part of the local management agreement that we have launched is that, once the community has expressed an interest, it will have precedence.

Rhoda Grant: How would you interact with a community in that situation?

Gareth Baird: We would interact through our teams, who would go to the community to find out what is there on the ground and what the community's aim is.

The process is about our people getting to the community. We will need help, and our managing agents have been instructed to bring expressions of interest to us. As soon as we hear anything about such situations, we will get to the community and engage with it.

Ronnie Quinn: As far as commercial-scale development is concerned, we work very closely with Marine Scotland on marine planning. We give access to our MARS system for marine spatial planning and we use Marine Scotland's input to identify areas for development. We work closely with Marine Scotland and the Scottish Government in that respect.

Rhoda Grant: I will give you an example, which might help. A third party applied to site a fish farm off the island of Eigg, which is community-owned. The owners are self-sufficient on renewable electricity and the island has a branding that is not consistent with having a fish farm there. They felt that they had no voice whatsoever in the decision about whether a fish farm was sited in the waters off their island.

Gareth Baird: I do not know about that example. Clearly the local authority will have more influence than the Crown Estate in that. We can certainly find out for you what happened around Eigg.

Rhoda Grant: How would you interact with a community and take on board its views in that type of situation?

Ronnie Quinn: It is important to realise the role that the Crown Estate takes. We are not the planning authority or the regulator for any of the industries. The regulator in aquaculture, in certain instances, would be the Scottish Environment Protection Agency and the planning authority would be the local authority. We provide the facility in the same way that a farmer would provide a field for an activity, but any development goes through the normal planning process.

Rhoda Grant: What I am driving at is the question of how your role can be devolved in some way to empower communities. If you say that a development is an issue for the planning authorities and is nothing to do with you because

you only lease the sea bed, that does not move towards empowering communities in relation to your own role.

Gareth Baird: The regulation of development is the role of the local authority, not the Crown Estate.

Rhoda Grant: It is for you to grant the lease so if you do not take cognisance of local opinion in doing so—

Gareth Baird: If the community, third party or whoever did not get planning authority for the site, the development would not happen in any case.

Rhoda Grant: Indeed, but the local community is not the planning authority.

Let us go back to the example of a community-owned estate such as Eigg. The local planning authority may not listen to what the community landowners have to say. If the community landowners also had ownership of the sea bed and foreshore, they would have the final say on whether a development goes ahead. You hold those powers. Have you thought of giving or at least leasing those powers on a long-term lease to local community landowners so that they have all the economic drivers in their hands?

Gareth Baird: If the local community has a business case and the professional expertise to take on a site for a fish farm, it will be considered just as strongly as any other application, but I come back to the point that we do not have the authority to grant planning permission for those sites. I know that that is a bone of contention on the west coast of Scotland, but that authority was removed from us some considerable time ago. I understand your question but we do not have the final say. We are most certainly sympathetic to community involvement.

Rhoda Grant: I will have one more try. If the local community-owned estate owned the foreshore and the sea bed that the Crown Estate currently owns, it would have the final say on any development. At the moment you have the final say because it is for you to deliver the lease. Nobody can apply for planning permission unless they have the lease.

Given that in its report the Scottish Affairs Committee expressed strong views on empowering local community landowners, what steps are you taking in cognisance of that? It seems to me that at the moment you are taking no such steps.

Ronnie Quinn: We have introduced local management agreements—Mr Baird gave a couple of examples. We have not been prescriptive in that regard; we have left it open to communities to come forward to us with proposals.

We are making that opportunity available to local communities.

Mike MacKenzie: We heard that you are investing money and working with communities to help them. That is all terrific, but how long have you been doing it? As far as I am aware, you have been collecting revenues from the sea bed since the time of King Canute—maybe it is not as long as that; maybe it is just since Nelson's time. When did you start investing money in local communities in coastal areas?

Gareth Baird: Over the past five years, we have put £1 million into aquaculture research, and we have invested £7 million in ports and harbours up the west coast of Scotland, in an attempt, with local authorities and the Scottish Government, to develop a string of pearls right up the west coast for the marine leisure industry. Indeed, plans for Portree are part of an effort to develop such a string of pearls for the larger ships—the liner industry.

I can go back only over my three and a bit years of experience and perhaps a little further, but that has been the scale of investment over the past five years.

Mike MacKenzie: Therefore, since the 2007 election or thereabouts, you have suddenly started to invest—

Gareth Baird: I did not say that. I would have to find out what happened before that, and I am happy to do so.

Mike MacKenzie: That would be interesting, and I would be grateful if you could write to the committee on that.

I congratulate you on the coastal communities fund, which is a terrific scheme. Correct me if I misunderstood you, but I think that you said that there is reinvestment of 50 per cent of your gross revenues. Why did you choose 50 per cent, as opposed to 45 or 55 per cent?

Gareth Baird: Just from a constitutional viewpoint, before Ronnie Quinn comes in on the technical detail, I should say that it is not our scheme but a United Kingdom Government scheme. We had no influence in setting it up and we have no influence in dispensing the 50 per cent of the gross yield from UK waters.

Ronnie Quinn: I was going to reiterate that. The number was chosen by Treasury. All our annual surplus goes to Treasury, which splits it up. Fifty per cent will go into the Big Lottery Fund for the coastal communities fund.

Mike MacKenzie: If the committee wants a greater understanding of why 50 per cent was chosen, we will need to write to Mr Osborne, the

chancellor, or perhaps to Mr Alexander. That was helpful.

What criteria do you apply when you choose which communities to assist—and which ones not to assist? Can you shed a bit of light on that?

Gareth Baird: That is all down to the Big Lottery. We have no influence on that whatever.

Mike MacKenzie: You have no input. Are you content that the Big Lottery has sufficient understanding and knowledge of coastal communities to be able to make wise decisions? Do you assist the organisation in any way?

Gareth Baird: Our assistance would perhaps come from our people resource, in helping communities to put a bid together. We can take the commercial and environmental expertise that there is in the Crown Estate team to help communities to make a bid.

Mike MacKenzie: You have no formal input in the Big Lottery's decision making.

Gareth Baird: No.

Mike MacKenzie: That is surprising, but thank you for your answer, which was helpful.

11:15

The Convener: I will take a supplementary question from Marco Biagi.

Marco Biagi: My question follows up a point that I raised earlier and moves the discussion on—

The Convener: We have almost exhausted this topic, but I will take a supplementary question from Alison Johnstone first.

Alison Johnstone: Further to Rhoda Grant's point, I have a very quick question, on which I want to be absolutely clear. Is it the case that the Crown Estate manages the sea bed but it is up to local planning authorities to decide whom the Crown Estate will lease it to?

Ronnie Quinn: No, that is an incorrect assessment. The local authority grants the planning permission for an aquaculture development, but we provide the lease. We are not the regulator or the planning authority.

Alison Johnstone: So the Crown Estate does not take the decision on who uses the sea bed. Is that up to someone else?

Ronnie Quinn: We take the decision on who uses it, but it is for the applicant to obtain the appropriate planning consent. For example, in the round 3 process for commercial wind farms, we put significant effort into identifying which developers should be awarded those sites. Those developers are now applying for consent to the competent planning authority, which in this

instance is Marine Scotland. However, we had a significant input, because we identified which developer would be awarded the facility.

Alison Johnstone: Thank you.

Marco Biagi: I want to change the subject somewhat and to bring the discussion out of the Highlands and back to our doorstep. The Crown Estate owns two business properties in Edinburgh and has part ownership of Fort Kinnaird. Which of the purposes of the Crown Estate do those investments serve? Are they purely for revenue?

Gareth Baird: The Crown Estate has an urban estate, of which the big engine is of course Regent Street. As I am sure committee members will have read before today's meeting, the Crown Estate is a very unusual financial beast in as much as it cannot borrow any money. Therefore, to hit the stringent financial targets that the Government sets for us, we have to churn a lot of properties as well as take income from rent. That is an on-going, complicated and difficult business, particularly in these times when the property side of things is very difficult. We have some established properties, into which we are currently investing a colossal amount of money. Fort Kinnaird and the two properties on George Street form part of that portfolio.

Marco Biagi: Where do you see the future for the Scottish retail estate? Will that be more or less steady?

Gareth Baird: We are putting in a lot of investment at the moment. These are very tough times for retail parks. Last September, the whole board visited Fort Kinnaird and had a good look round it with our retail specialist, given the major investment that we have going on at the moment. Our investment side will continue to look for opportunities within that churn to develop our income stream.

Marco Biagi: Am I right in thinking that, at one point, the Crown Estate had technical ownership of the east end of Princes Street gardens? Can you clarify what happened there?

Gareth Baird: That is correct. Ownership has been passed over to City of Edinburgh Council.

Chic Brodie: On the subject of land-based holdings, you mentioned the Glenlivet estate earlier. The Crown Estate also has Kings Park in Stirling. How is it promoting those as tourism opportunities?

Gareth Baird: I will take Glenlivet as an example. A scheme is well under way to produce a mountain biking trail through the Glenlivet woodland. That is a £500,000 scheme, of which the Crown Estate is investing £250,000. There is also investment from Moray Council and the Cairngorms National Park Authority, and I believe

that there has been some European money, too. We have been leading that project. I gather from Andy Wells, our specialist who has been overseeing it, that it is a 38 mile or kilometre trail and it has been rated very highly.

I add that the town of Tomintoul has had a really tough time economically and both the hotels have closed. Along with Moray Council and the Cairngorms National Park Authority, we are very involved in the regeneration of Tomintoul, and the bike trail will help. It is going to be a high-class trail.

Dennis Robertson: Staying with the examples that you have given, do you have a commercial interest in Tomintoul in terms of forestry? How many other onshore interests do you have in forestry, and are those interests linked to biodiversity initiatives?

Gareth Baird: Very much so. There will be forestry on all five estates around Scotland. We have a head of forestry, Mike Libera, who stays down in Lockerbie beside the Applegirth estate. The forestry is very much a business entity, but biodiversity and the environment are taken extremely seriously and there is a lot of investment in that aspect.

In Applegirth, there is a major drive to boost the red squirrel population. Sadly, that means getting rid of the greys, but—

The Convener: Do not be sad about it.

Gareth Baird: It is not easy and it takes a lot of time. I assure Mr Robertson that biodiversity is high on the agenda.

Mike MacKenzie: There have been calls from some quarters for Crown Estate activities in Scotland to be devolved to the Scottish Parliament. If that was to happen, this Parliament might say, “Why do we need you? Wouldn’t it be best to dissolve you and let Marine Scotland do what you do?” What answer would you give to that?

Gareth Baird: The answer that I would give—I can say this because I am not part of the team—is that, in the Bell’s Brae office in Edinburgh, Scotland has a fabulous resource of commercial, industry-led expertise and people with real experience on the ground. That is something that needs to be preserved for Scotland.

The weight of finance and resource that can be brought from the Crown Estate as a United Kingdom organisation on behalf of Scotland is considerable. A big slice of the £100 million that has gone into UK waters has gone into Scottish waters. It has been possible to bring that to bear because of the big engine that exists around the United Kingdom.

As far as how we are directed is concerned, we will go with the grain of whichever Government is in power. What happens, how we are constituted and established and how we work are entirely up to that Government. However, make no mistake—the team is working really hard on behalf of Scotland.

Mike MacKenzie: You will forgive me, but from a lot of what I have heard I am really not convinced. You talked about sweating the assets and so on. It seems to me that your purpose as it has been described this morning is a bit like that of an asset manager division within a bank. If your purpose is solely to sweat the assets, that does not seem to me to be a strong enough reason to keep the organisation in place in its current form.

Gareth Baird: I would not like to use the term “sweat”. Part of our strapline is about integrity in the way that we work. Another part is about commercialism, as we have to make a return on the assets in which we invest. As I have tried to explain, that is the only way in which the Crown Estate can operate, because we cannot take on any gearing.

The other part of our strapline is about stewardship and the long-term nature of our investments. We will not just be in and out of things for a quick buck, as that is not the way that we operate. Whatever happens constitutionally, I am sure that the investments of the Crown Estate will be there for the long term and for the benefit of all Governments in the United Kingdom.

Mike MacKenzie: I am glad that you mentioned stewardship. I would like to think that that stewardship goes along with many years of experience of management of the sea bed, which I mentioned. Am I correct in saying that?

Gareth Baird: Absolutely. To give an example, yesterday I was at a board meeting at which the energy and infrastructure team ran a workshop. We were told that, just last week, our cables and pipelines team brought together Government bodies, including Marine Scotland and DECC, along with fishermen, the oil and gas industry and others to consider the sea bed around the United Kingdom, which is becoming quite a busy place. The whole thrust of that gathering, which I believe was warmly received, was to make everybody aware of where tensions arise and where clusters of sea bed transmission, of whatever commodity, could happen. I believe that another meeting will take place to take forward the results of that discussion.

Mike MacKenzie: I am grateful for that—it is reassuring.

The Convener: That seems an appropriate point to end the session. Mr Baird and Mr Quinn, thank you for coming along to help us. You have

undertaken to come back to us on a few issues. If you could do that in writing, that would be helpful.

11:31

On resuming—

11:27

Meeting suspended.

Subordinate Legislation

Late Payment of Commercial Debts (Scotland) Regulations 2013 (SSI 2013/77)

The Convener: Agenda item 2 is consideration of a negative Scottish statutory instrument. No motion to annul has been lodged. The Subordinate Legislation Committee has drawn the attention of Parliament to two points, neither of which appears to be particularly drastic. If members have no comments, do we agree to make no recommendation on the regulations?

Members *indicated agreement.*

11:32

Meeting continued in private until 11:52.

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